A Successful Sales System

1. **Leadership**

2. Structure and Discipline

3. Accountability

4. Investing in people

- **Stable management team- most players have been at Lightship since 2002**

- **Management team and key sales representatives have worked together for multiple companies**

- **Management team has 107 collective years of telecom sales experience**

- **Team includes a number of veteran sales reps with very significant telecom sales experience**

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A Successful Sales System

1. Leadership

2. **Structure and Discipline**

3. Accountability

4. Investing in people

- **The week follows a rigid schedule that defines specific times for:**
  - Team meetings
  - Monday and Thursday:
    - cold calls
    - quality appointments set
  - Tuesday, Wednesday, Friday:
    - go on appointments and close business
    - cold knock, network partner meetings
  - 12-1 Lunch; Paperwork & Admin after 5pm
  - Friday wrap-up meeting

- **The schedule generates a sense of team**
  - Daily interaction with teammates
  - Maximize productivity
  - Encourages a strong work ethic
  - Creates an exciting, enthusiastic atmosphere

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A Successful Sales System

1. Leadership

2. Structure and Discipline

3. Accountability

4. Investing in people

- **Clearly defined daily, weekly, and monthly goals for everyone on <u>all</u> key sales measures and activities:**
  - **E.g., Number of cold calls, appointments, vendor meetings, funnel growth, signed contracts and signed lines**

- **Progress discussed at management meetings every Monday morning**

- **Competitive and *public* stack rankings, quota board, and office thermometers**

- **Minimum level of expectation enforced -- low performers are terminated**

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A Successful Sales System

1. Leadership   •   **Hire strong candidates**

2. Structure and   •   **Aggressive training program**
   Discipline
   - **Formal one-week corporate training**
   - **Regularly scheduled Lightship University**
3. Accountability   **training curriculum for all sales levels**

4. Investing in   •   **Mentoring program**
   people
   - **All new hires paired up with proven veterans**

   •   **Celebrate successes**
   - **Weekly/monthly recognition conference calls**
   - **Monthly recognition plaques**
   - **Top rep sales summits**
   - **Top rep outings/events**
   - **Annual trip**

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Agent Channel

- 2004 – Increased Focus on Alternate Channel
  - Hired Agent Channel Manager, January 2004
  - Rewrote Independent Authorized Agent Agreement
  - Created commission structure to encourage long term end-user contracts
  - Launched partner extranet to provide on-line access
  - Developed new Wholesale Channel Program
    - Developed back-end CDR record support
    - Implemented custom Wholesale sales documents

- 2004 Results
  - 3,028 lines sold vs. 1,309 for 2003
  - 48 active agents, 4 active wholesalers

- 2005 – High Expectations
  - Agents have developed a good comfort level with Lightship
  - Hired 2nd Agent Channel Manager, January 2005
  - Enhancing extranet interface
  - Creating incentives to attract existing high-producing agents

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Agenda

- Company Overview
- Engineering and Operations
- Sales
- **Customers, Billing, Marketing and Regulatory**
  - Lightship's Customers
  - Customer Relations (Repair, Customer Support, Billing)
  - Marketing
  - Regulatory
- CABS
- Financial Review
- The CLEC Market Opportunity
- Summary of Synergies of a Combination

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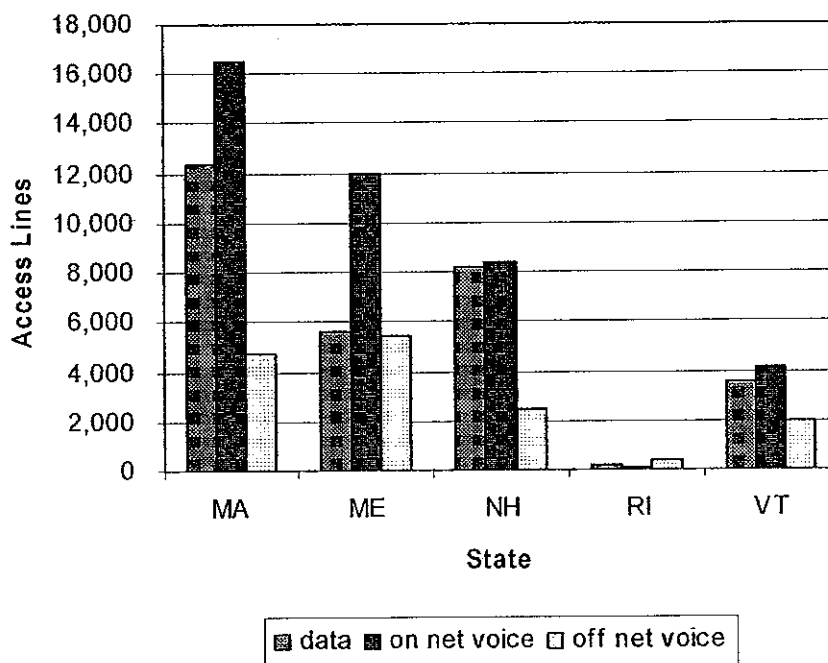*Connecting With Excellence*

Attractive Customer Base

- **Lightship has an attractive customer base that provides a strong revenue base**

    - **Balanced geographic market growth**: Lightship's customer base is balanced across its geographic footprint
    - **Loyal and stable**: Lightship's customers choose long term contracts and renew at high rates. This, combined with our focus on customer satisfaction, helps Lightship achieve industry leading churn rates of less than 1.3%
    - **Complex telecom needs**: Lightship targets customers with more complex telecommunication needs – these are our most loyal customers
    - **Broad vertical coverage**: Lightship's exposure to macro-economic trends is limited by our broad vertical market coverage

- **Customer satisfaction is a clear focus for Lightship. Both the culture and our processes reflect this focus**

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Customer Locations by State

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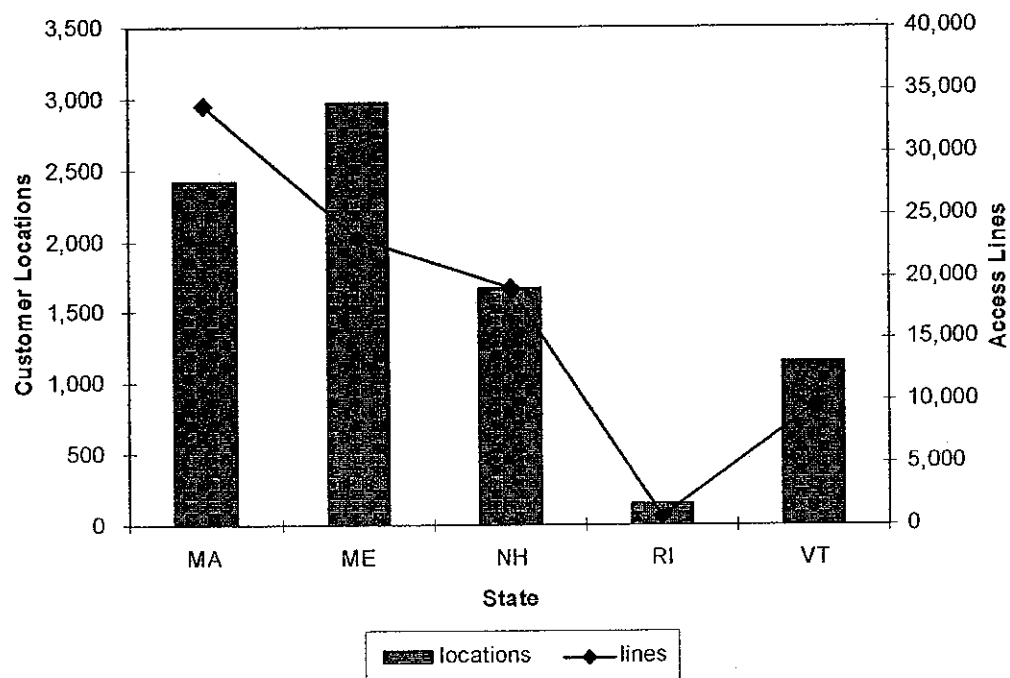
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Access Line Distribution

Line Distribution by State

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Market Penetration

Market Share by State

Bar chart titled "Market Share by State" with y-axis labeled "LS Share Bussiness Lines" ranging from 0.0% to 16.0%, and x-axis labeled "State" with categories NH, MA, ME, VT, TOTAL. Legend: ■ Market Share Year End 2001   ■ Market Share Year End 2004

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Customer Loyalty

Access Line Duration

Contract Term Distribution
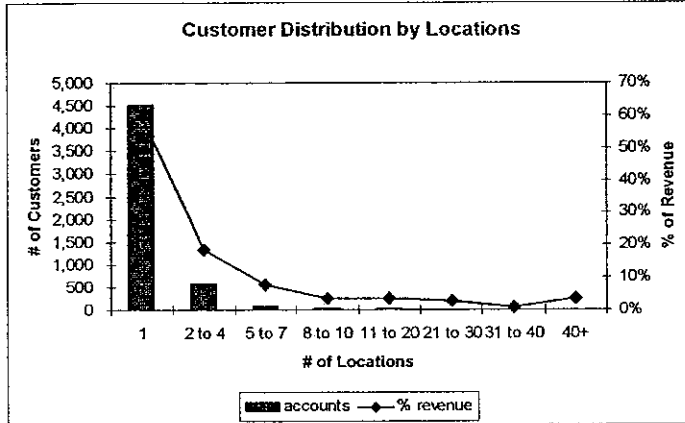

Churn Order Trend 2004
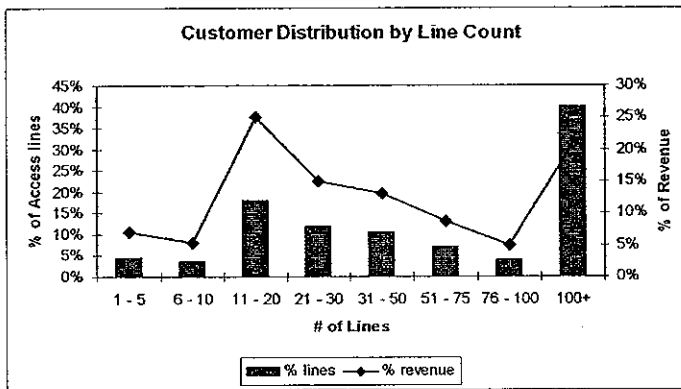
Connecting With Excellence
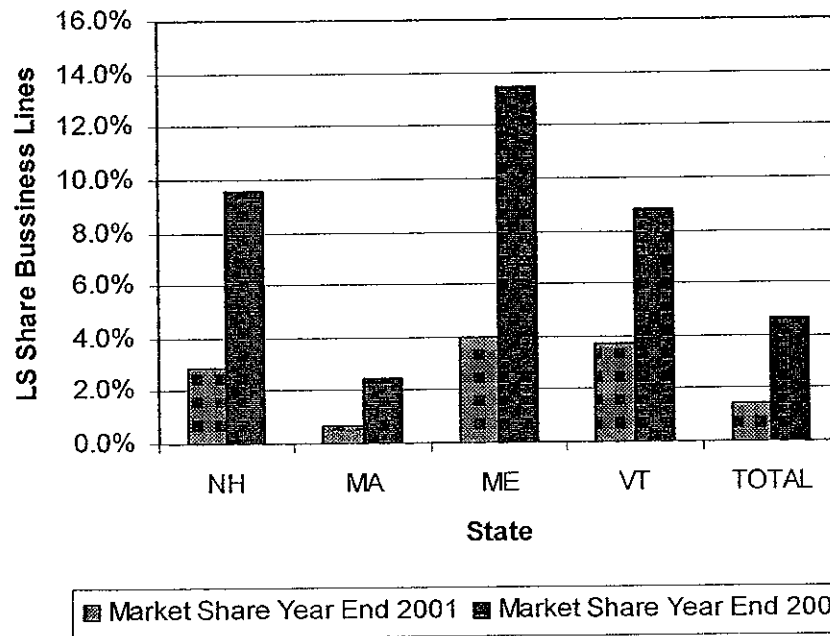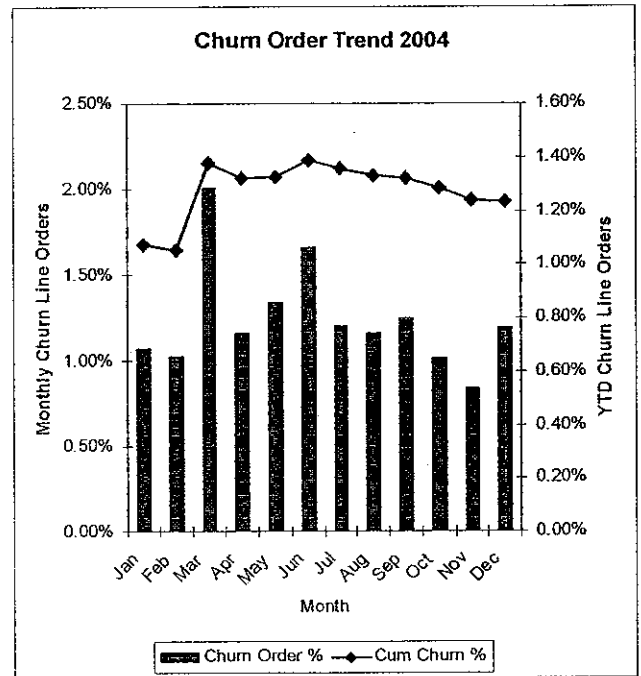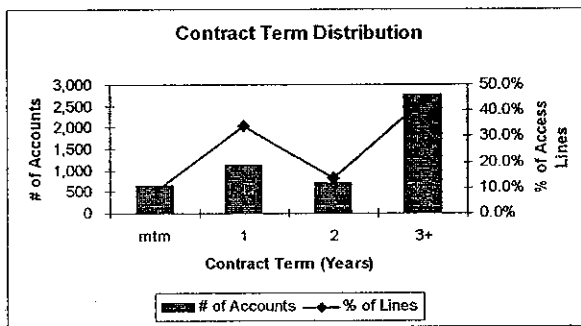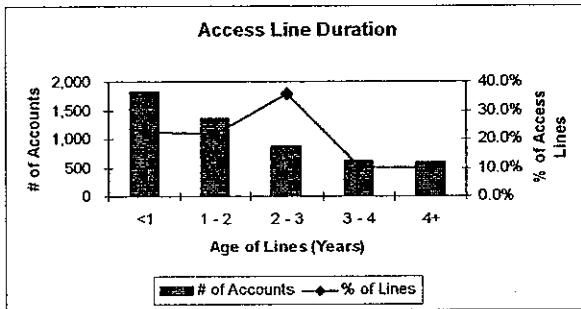
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Customer Size

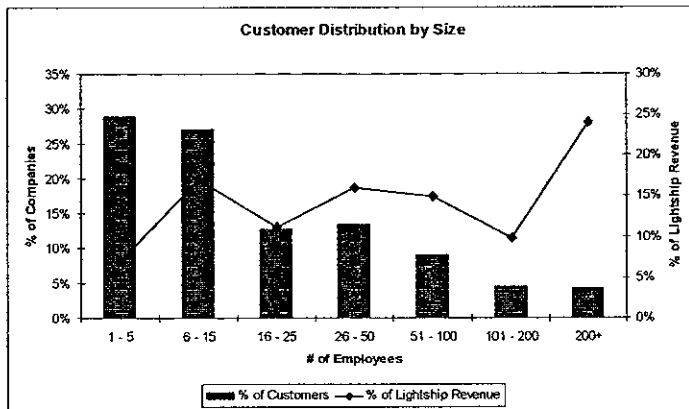- **40% of Lightship's revenue comes from customers with multiple locations**

- **63% of Lightship's revenue comes from customers with over 20 lines**

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Customer Characteristics

Customer Distribution by Size

- **75% of revenue comes from customers with greater than 15 employees**

Customer Distribution by SIC Code
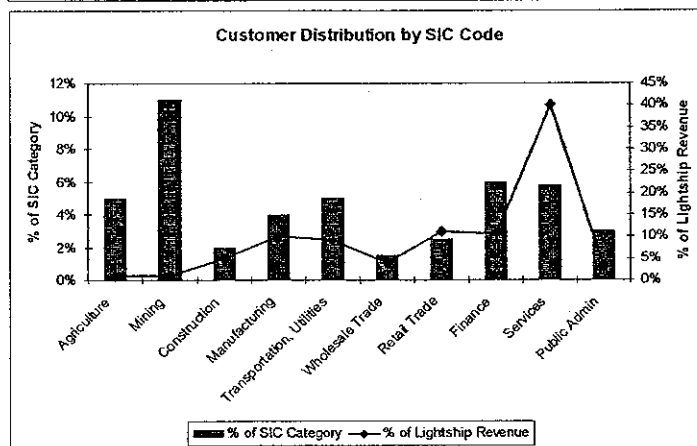
- **Lightship's penetration across SICs is fairly uniform**

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Integrated Customer Relations Team

Customer Service
- Centralized team for non-repair issues (e.g., billing, MAC activity, usage questions)

Lightship Cares Managers
- In-region team providing proactive care for large and strategic accounts

Renewal Team
- Actively renews medium sized accounts

Repair
- Centralized team for repair issues
- Facilities issues and more complex problems are solved in conjunction with the operations/engineering team
- Management of challenging facilities issues

Retail Billing
- Billing entry, product maintenance, bill presentation

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Customer Satisfaction
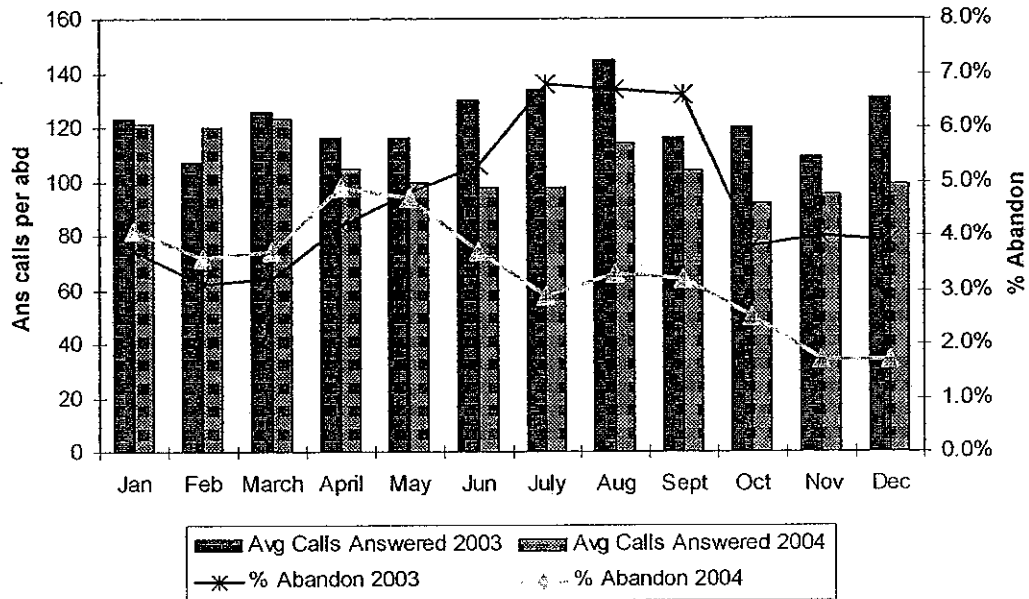
Effectiveness

- Proactive account management
    - In region presence - Lightship Cares Managers for strategic accounts
    - Critical Accounts Program
    - Executive Sponsor Program
    - Renewal Program

- Repair/Incident Handling
    - Business continuity solutions
    - Customer communication
    - Customer access to management levels
    - Integrated call queues

Efficiency

- Customer Self-care
    - Access to on-line bandwidth usage reports
    - Access to on-line billing account information
    - User customizable usage reporting
    - FAQs on web

- Eliminating the need for customer calls
    - Continuous Company wide effort to improve quality – "get it right the first time"
    - First-bill calls
    - Proactive customer communications (incident updates, grooms, etc.)
    - Customer access to payment information

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Customer Service Call Center

Call Statistics 2003 vs 2004

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Repair Center

Repair Tickets 2003 vs 2004

Legend: # of Repair Tickets 2003   # of Repair Tickets 2004

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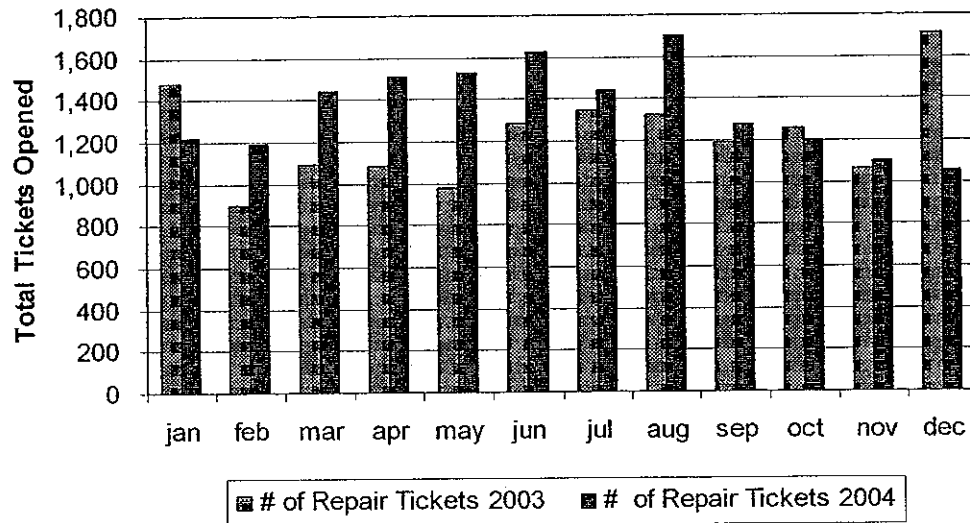
Best in Class Account Statements

- **Lightship's unified billing statement is best in class and a key service differentiator**

- **Billing statements can be provided in traditional paper format or can be accessed online**

- **All bills include pre-defined usage reports, charts and graphs tailored for small and medium-sized businesses**

- **Easy-to-read traffic audit report with complete graphical and statistical information**

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Lightship's Product Offering
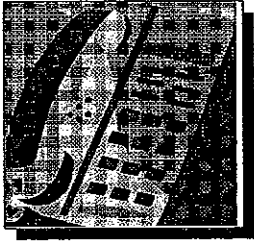
Telephony
- Local Dial Tone (POTS, Flex, PRI, Centrex, features)
- Domestic & Int'l Long Distance Service
- Toll Free
- Unlimited Calling Plans
- Calling Cards
- Fax/efax
- Conference Calling
- Voice Messaging

Internet
- High Speed Bandwidth
- Burstable Bandwidth
- Web Hosting
- E-mail & Web Mail
- Internet Bandwidth Monitoring
- Dial-up
- Bandwidth Monitoring
- WiFi
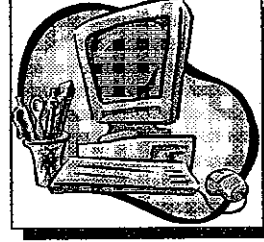
Data
- Frame relay
- Point to point
- WAN
- Bandwidth Reports
- ATM, Burstable bandwidth
- VPN
- Wholesale Dialup Ports
- Leased Equipment
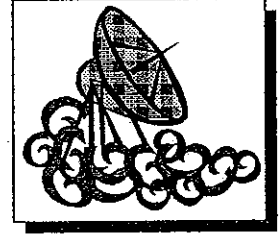
Co-Location
- Secured Rack Space
- PRI
- Internet Bandwidth
- Uninterrupted Power

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Marketing Initiatives

- New Services
  - DSL Services
  - ATM to the Edge
  - WIFI Hotel Vertical Services
  - Rhode Island Market Expansion
  - Lightship Advantage II
  - Lightship Long Distance Unlimited Calling Plans

- Promotions (new and ongoing)
  - Customer Hardware Credit Program
  - "Free" months for PRI customers
  - Competitor Bid Matching

- Business Management
  - Customized pricing for 2,500 lines per month (average)
  - Three Wholesale Partner Contracts
  - Market Leading Service Level Agreements; New Master Service Agreements; Customized Contracts

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Corporate Communications - 2004

- **Advertising**
  - 80 ads in 12 regional business publications; 20 monthly physical advertisement locations; Radio advertising on 21 regional stations
- **Lead Generation**
  - High-end lead generation initiative resulting in 65 confirmed appt. leads
  - 850 qualified leads from trade show activities
- **32 Trade Show events and business meetings**
  - Vertical and regional shows throughout NE
- **Membership in 65 business associations**
- **Public Relations**
  - 40+ articles, 6 press releases, 175 media contacts
  - 42 Corporate and Non-profit sponsorships
- **Premiums and Collateral**
  - Corporate apparel, customer premiums, trade show items
  - 60,000 collateral pieces distributed annually
- **Attributable new revenues of $1.0-$1.5 million annually**

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Influencing Regulatory Outcomes

- **Leverage PUCs to constrain Verizon behavior (e.g., Vermont Centrex contracts)**
- **Engage PUCs and FCC to ensure favorable outcomes of regulatory proceedings (e.g., Maine 271 enforcement)**
- **Support the Profit Management Program (e.g., billing presumptive ISP minutes)**
- **Shape business decisions based on changes in the regulatory landscape (e.g., growth plans)**
- **Engage Verizon in carrier to carrier negotiations**

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Impact of TRO is Modest

<u>UNE Element</u>	<u>Impact on Lightship</u>
• DS0 UNE-Loops	• No impact from TRO
• DS1 and greater UNE-Loops	• Lightship primarily uses special access • Impact limited to central Boston wire centers
• UNE-transport	• Impact limited to the few routes where alternatives are mostly available – cost increases will be modest as a percent of the total transport costs
• UNE-P	• Lightship only has 10% UNE-P** circuits • The vast majority will be moved on-net by the end of 2005

** As of December 31, 2004

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Regulatory Trends Favor Facilities CLECs

Regulatory Development	Implication
1. UNE-P eliminated	1. UNE-P companies face materially higher costs
2. High Cap UNE-Loops under threat	2. Favors CLECs using Special Access and UNE-L (copper)
3. ILEC Title II Forbearance for data services	3. Creates wholesale market for data and limits VoIP competition
4. Long-term UNE-L threat	4. Favors larger CLEC that can use emerging access technologies (e.g., wireless)

A significant retail and wholesale market opportunity is available to a regional facilities-based CLEC that can offer low-cost access across the New England region

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Agenda

- Company Overview
- Engineering and Operations
- Sales
- Customers, Billing, Marketing and Regulatory
- **CABS**
- Financial Review
- The CLEC Market Opportunity
- Summary of Synergies of a Combination

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Lightship Maximizes the CABS Opportunity

- **Company's strategy of maximizing on-net lines for SME business customers and ISPs generates above-average compensible MOUs**
- **Lightship enjoyed historically high agreed PLUs until 2004**
- **Lightship does a good job of optimizing network design and management and therefore generates high-rate MOUs**
- **Lightship actively manages profitability through operational excellence in understanding regulatory and tariff and MOU traffic**
- **Rates are in-line with other CLECs in our markets**

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Lightship's CABS Rates

Lightship's CABs Rates Are Comparable to Other CLECs

Intrastate Rate Comparison

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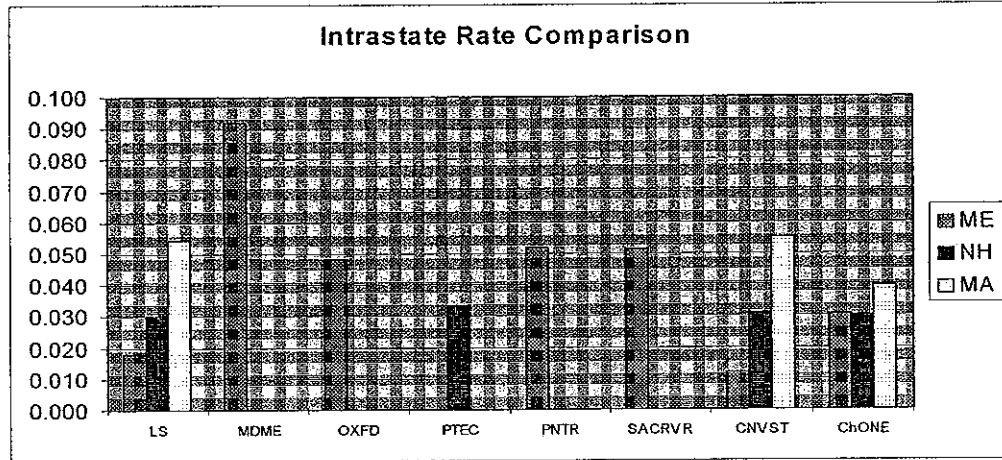
Top Ten CABs Customers – Account Aging

December 31, 2004

Customer Name	Balance	Current	30	60	90	120
Verizon Communications	850,394	822,664	27,729	-	-	-
Global Crossing	357,054	116,945	89,961	96,477	6	53,665
MCI	43,168	2,396	206	-	-	40,566
AT&T	40,451	37,048	3,404	-	-	-
Conversent Communications	35,881	5,451	3,963	4,458	4,485	17,524
CRC Communication of Maine	35,288	1,508	947	1,136	1,076	30,621
Comcast Phone	30,020	3,228	1,659	1,046	1,936	22,150
Qwest Communications	24,855	20,623	3,893	1,249	1,316	(2,225)
CTC Communications Corp	20,753	2,703	1,964	1,797	1,583	12,705
Verizon Wireless	10,771	6,179	4,592	-	-	-
Total of Top 10 Customers	1,448,634	1,018,746	138,317	106,163	10,403	175,006

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Agenda

- Company Overview
- Engineering and Operations
- Sales
- Customers, Billing, Marketing and Regulatory
- CABS
- **Financial Review**
    - Financials
    - Capital Structure & Debt Facility Details
    - Profitability Management Program
- The CLEC Market Opportunity
- Summary of Synergies of a Combination

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Historical Financial Results

	Audited 1998	Audited 1999	Audited 2000	Audited 2001	Audited 2002	Audited 2003
Revenues	$ -	$ 649,933	$ 7,879,253	$ 17,768,638	$ 27,421,470	$ 42,756,089
Cost of revenues	-	950,516	8,020,043	12,849,143	14,490,160	16,764,424
Gross margin	-	(300,583)	(140,790)	4,919,495	12,931,310	25,991,665
Gross margin %	N/A	-46.2%	-1.8%	27.7%	47.2%	60.8%
Sales and Marketing	-	598,858	2,848,525	3,207,824	3,852,884	5,472,425
General and Administrative	272,965	2,367,884	9,420,702	12,498,865	12,464,633	15,085,306
Total Operating Expenses	272,965	2,966,742	12,269,227	15,706,689	16,317,517	20,557,731
EBITDA	(272,965)	(3,267,325)	(12,410,017)	(10,787,194)	(3,386,207)	5,433,934
Depreciation and Amortization	5,346	169,217	2,169,211	5,369,656	5,826,050	6,827,263
Operating Income (Loss)	(278,311)	(3,436,542)	(14,579,228)	(16,156,850)	(9,212,257)	(1,393,329)
Loss on Impairment of Assets	-	-	-	2,587,417.00	-	-
Interest Income	3,672	75,224	196,095	473,260	127,649	51,969
Interest Expense	(56)	(25,902)	(1,034,092)	(4,599,245)	(2,267,134)	(2,375,619)
Net Income (Loss)	$ (274,695)	$ (3,387,220)	$ (15,417,225)	$ (17,695,418)	$ (11,351,742)	$ (3,716,979)

Note: Presentation has been modified from
audit reports to display Margin and EBITDA

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2003-2004 Financial Results by Quarter

	1Q03	2Q03	3Q03	4Q03	FYE 2003	1Q04	2Q04	3Q04	4Q04E	FYE 2004E
Total Revenues	$ 8,635	$ 10,783	$ 11,201	$ 12,138	$ 42,756	$ 11,843	$ 12,365	$ 12,423	$ 14,988	$ 51,618
Total Cost of Goods Sold	4,057	4,183	4,189	4,335	16,764	5,165	5,198	5,087	5,193	20,643
Gross Margin	4,578	6,599	7,011	7,803	25,992	6,678	7,167	7,336	9,794	30,975
Gross Margin %	53%	61%	63%	64%	61%	56%	58%	59%	65%	60%
Total Operating Expenses	4,415	5,671	5,217	5,248	20,551	5,230	5,415	5,121	5,210	20,976
EBITDA	163	929	1,794	2,555	5,441	1,448	1,752	2,215	4,584	10,000
EBITDA %	2%	9%	16%	21%	13%	12%	14%	18%	31%	19%
Total Other Revenue & Expenses	2,149	2,217	2,249	2,542	9,157	2,415	2,465	2,529	2,542	9,951
Net Income (Loss) Before Taxes	(1,986)	(1,288)	(455)	13	(3,717)	(967)	(713)	(314)	2,043	49
Income Taxes	-	-	-	-	-	-	-	-	158	158
Net Income (Loss)	$ (1,986)	$ (1,288)	$ (455)	$ 13	$ (3,717)	$ (967)	$ (713)	$ (314)	$ 1,885	$ (109)

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